

APPENDIX B

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
David C. Boyd
Marshall Johnson
Thomas Pugh
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of Otter Tail
Power Company, Minnesota Power and
Minnkota Power Cooperative, Inc. for a 230 kV
Transmission Line from Bemidji to Grand
Rapids, Minnesota

ISSUE DATE: November 29, 2007

DOCKET NO. E-017, E-015, ET-6/CN-07-
1222

ORDER APPROVING NOTICE PLAN WITH
MODIFICATIONS

PROCEDURAL HISTORY

On September 18, 2007, Otter Tail Power Company (Otter Tail Power), Minnesota Power, and Minnkota Power Cooperative, Inc. (Minnkota Power) (the Applicants) submitted a request for approval of a Notice Plan for certificate of need proceedings on a proposed 68 mile, 230 kV transmission line that will run from the Bemidji area to the Grand Rapids area in north central Minnesota.

The Bemidji-Grand Rapids Line is one of four group 1 projects associated with the Capacity Expansion 2020 (CapX 2020) initiative. Applicants assert that the project, together with the 345 kV Twin Cities-Fargo Line proposed in Docket No. ET-2, E-002 et al./CN-06-1115, will address voltage stability issues in the Bemidji area and ensure adequate transmission capability to the Red River Valley over the next 15 years.

On September 26, 2007, the Commission issued a notice of comment period, asking interested persons for comments on the Applicants' notice plan. Under the terms of the notice, initial comments were due October 9 and reply comments on October 29.

On October 5, 2007, Laura and John Reinhardt (the Reinhardts) filed comments, raising several concerns regarding the notice plan.

On October 9, 2007, the Department of Commerce (the Department) filed comments recommending that the notice plan be approved, with modifications.

On October 29, 2007, the Applicants filed reply comments.

On November 20, 2007, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Background

A. Legal Background

Minn. Rules, Part 7829.2550 addresses notice plans for entities seeking certification of high-voltage transmission lines. Minn. Rules, Part 7829.2550, subp. 3, established that direct mail notice must be provided to landowners and to all mailing addresses reasonably likely to be affected by the proposed transmission line, and also to governmental entities whose jurisdictions are likely to be affected by the proposed line. Newspaper notice must also be provided to members of the public in areas reasonably likely to be affected by the proposed transmission line.

B. Factual Background

1. Docket No. E-999/TL-05-1739

On November 2, 2005, a consortium of utilities owning transmission lines in Minnesota reported on the needs of the transmission system throughout the state's transmission grid. In particular, Great River Energy, Northern States Power Company d/b/a Xcel Energy, and others proposed a plan for achieving the transmission capacity expansion needed by 2020, referred to as CapX 2020. Part of that plan would involve building new transmission facilities - including more than 500 miles of 345-kilovolt (kV) transmission line in Minnesota, and up to 1630 miles of new transmission lines overall -- to provide the additional megawatts of electricity that they forecast customers will demand by 2020.¹

2. The Applicants' Proposed Notice Plan

Applicants plan to apply for a certificate of need for a 230 kV transmission line that will run from the Bemidji area to the Grand Rapids area in north central Minnesota, in association with the CapX 2020 initiative.

Otter Tail Power is designated as the project development manager for the Bemidji-Grand Rapids Line, with Minnesota Power as the routing lead for the project. Because of the impact the Bemidji-Grand Rapids Line will have on the transmission system in the service area, Minnkota Power joined the project as the technical lead. The certificate of need for the 230 kV transmission line is also filed on behalf of Xcel and Great River Energy.

The notice plan proposed providing direct mail notice to landowners expected to be directly affected, and direct mail notice to those with rural mailing addresses within the notice corridors.

¹ See In the Matter of the 2005 Minnesota Biennial Transmission Filing, Docket No. E-999/TL-05-1739, 2005 Minnesota Biennial Transmission Projects Report, Issue 2005-CX-1 "CapX 2020 Vision Plan.

The plan proposed publishing ads in local newspapers serving the areas. Finally, the plan proposed providing direct mail notice to local units of government and local tribal authorities.²

The Applicants also seek exemption from certain content requirements for certificate of need applications. By separate order, the Commission has granted an extension of time to allow for a decision on the merits of the exemption request after receipt and analysis of any comments received.³

II. The Parties' Positions

A. The Department

The Department concluded that the proposed notice corridor would provide sufficient notice to landowners, residents, and governmental entities. The Department recommended the addition of one local newspaper to the list of publications in which the notice will appear. Finally, the Department requested that the Applicants describe the method by which local Indian councils will receive notice.

The Department also reviewed the proposed notices and maps and concluded that all the required data had been provided.

B. The Reinhardtts

The Reinhardtts asserted that the Applicants need to clearly identify the project in the Notice plan as associated with the CapX 2020 initiative and identify the eleven utilities participating in the project. The Reinhardtts made numerous recommendations for modification of the proposed notices and maps, and suggested that the CapX 2020 notice utilized in Docket No. 06-1115 be used as a template.⁴

The Reinhardtts specifically recommended that the Applicants modify their filing as follows:

- reflect the project's association with CapX 2020;
- identify the project as a joint initiative and list the names and contacts for the eleven participating utilities;

² These include the Leech Lake Band of Ojibwe, headquartered in Cass Lake, Minnesota, and the Minnesota Chippewa Tribe, headquartered in Walker, Minnesota.

³ Applicants have requested exemption from Minn. Rules 7849.0260, subp. A(3) and C(6) (Energy Losses); Minn. Rules 7849.0270, subps. 1, 2(A), 2(C), and 2(D); 7849.0280 (Forecasting Consumption and Demand for Applicants' Entire Systems); Minn. Rules 7849.0270, subps. 2(B) and 2(C) (Forecasting by Customer Class); Minn. Rules 7849.0270, subps. 2(C), 2(D), and 2(F) (Forecasting by Other Sub-Categories); Minn. Rules 7849.0270, subp. 2(E) (System Revenue Requirements); Minn. Rules 7849.0280, subp.(B) -(I) (System Capacity); and Minn. Rules 7849.0290 (Conservation Impacts).

⁴ In the Matter of the Application of Great River Energy, Northern States Power Company d/b/a Xcel Energy and Others for a Certificate of Need for the CapX 345-kV Transmission Project, Docket No. ET-2, E-002 et al./CN-06-1115.

- expand the list of public governmental entities receiving notice;
- expand the project information included in the notice letters to conform to those utilized in previous CapX 2020 dockets;
- inform landowners of Applicants' intent to obtain easements;
- clearly distinguish the certificate of need notice issues from routing notice issues;
- replace the map with one indicating more detail;
- ensure that the timing of the notice fits with the filing of the application;
- include appropriate project contacts for each of the eleven CapX utilities; and
- require a compliance filing.

C. The Applicants' Response

In their October 29 reply comments, the Applicants agreed to the addition of the local newspaper identified by the Department.

The Applicants proposed several modifications to the proposed notice to address the Reinhardt's concerns:

- Applicants agree to add language to further identify this project's association with the CapX 2020 initiative;
- Applicants agree to put the CapX 2020 project logo, as well as the Bemidji-Grand Rapids line logo, on the stationery of the notice letters and the map;
- Applicants added project information on the type of structures to be used and the width of the right-of-way necessary for the project;
- Applicants provided a list of the state and federal entities to receive notification of the project;
- Applicants provided a map with additional detail; and
- Applicants agreed to provide a notice plan compliance filing.

Applicants also clarified that they arrived at a coordinated schedule with respect to the certificate of need and routing proceedings, which provides for joint public hearings and combined environmental review.

Applicants disagreed with the Reinhardt's suggestion for a contact person at each of the eleven CapX utilities involved with the three CapX 2020 345 kV transmission lines in the notice for this project, clarifying that only five utilities are actual participants in the Bemidji-Grand Rapids project. Applicants further indicated that they have selected four contacts most equipped to answer questions related to the project or to direct the person to the appropriate resource.

Applicants also disagreed with the Reinhardt's suggestion that the eminent domain language contained in the CapX 2020 notice in Docket No. 06-1115 be used, arguing that the property rights obtained might not be in the form of an easement, and that the proposed notice complies with legal requirements.

III. The Parties' Response at Hearing

At the Commission meeting on November 20, 2007, John Reinhardt presented a document listing recommended additions to the notice plan (as outlined in the Applicants' October 29, 2007 reply comments and Commission staff briefing papers. The Applicants acquiesced to the proposed modifications to the notice, set forth below, with one further modification:

1. A statement indicating whether the applicant may exercise the power of eminent domain to acquire the land necessary for the project and the basis for such authority. Minn. Rule 7849.5240, subp. 3(J) ✓
2. Information regarding how a copy of the application might be obtained. ✓
3. A statement that regulators will hold a public meeting within 60 days and the date of the meeting if it is known at the time of the mailing. Minn. Rule 7849.5240, subp. 3(D). ✓
4. The manner in which the State will conduct environmental review of the proposed project, including the holding of a scoping meeting at which additional alternatives to the project may be proposed. Minn. Rule 7849.5240, subp. 3(E). ✓
5. A statement that a public hearing will be conducted after the Environmental Impact Statement is prepared. Minn. Rule 7849.5240, subp. 3(H). ✓
6. The docket numbers for this project's need and routing applications. ✓

After discussion, Mr. Reinhardt and the Applicants also acquiesced that the notice should contain the names and addresses of the five participating utilities in this project, and the name, address and telephone number of the four persons designated by the Applicants as "contact persons."⁵

IV. Commission Analysis and Action

The Commission finds that the notice plan submitted by the Applicants in their October 29, 2007 Reply Comments, with the modifications suggested by the Reinhardts and agreed to by the Applicants at the Commission meeting, is reasonable and meets the requirements of Minnesota Rules.

The Commission will also require the following modifications to the notice plan:

- Applicants shall include language in the notice plan explaining the exemption requests made in this Docket and a brief description of the exemptions sought.
- Applicants shall update the expected filing date for the certificate of need and route applications and update the reference to Minn. Rules 4400.⁶ ✓
- Applicants shall insert the words "and an application for a Route Permit" in the sixth full paragraph of the notice to indicate that both the certificate of need application and the route permit application will be filed and that there is an intent to combine features of the review process. ✓
- Applicants shall file a timely compliance filing to demonstrate that they have fulfilled the terms of notification as ordered by the Commission.
- Notices shall be served within 30 days preceding the filing of the certificate of need application.

⁵ This includes a staff contact at the Commission, the Department, and two persons designated by the Applicants as having knowledge of the project.

⁶ Since the notice plan was filed, Minn. Rules 4400 have been renumbered and transferred to Chapter 7849.

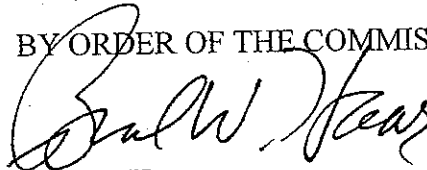
- Applicants shall submit a new map broken down in sections evidencing greater detail, and a scale clearly identifying state and county roads, other public rights-of-way and corridor boundaries.

The Commission will so order.

ORDER

1. The Commission approves the proposed notice plan as provided in the Applicants' October 29, 2007, Reply Comments with the modifications and agreements set forth herein.
2. The Commission delegates the timing and final approval of the notice plan and map to the Executive Secretary.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e. large print or audio tape) by calling 651.201.2202 (voice). Persons with hearing or speech disabilities may call us through Minnesota Relay at 1.800.627.3529 or by dialing 711.



Bemidji-Grand Rapids 230-kV transmission line
PO Box 1735
Bemidji, MN 56619-1735
888-373-4113



March 7, 2008

Notice of Certificate of Need Proceeding for New High-voltage Electric Power Transmission Line Between Bemidji and Grand Rapids that May Be Located in the Following Minnesota Counties: Beltrami, Hubbard, Cass, and Itasca.

Dear Local Official or Tribal Leader:

On behalf of Otter Tail Power Company, Minnesota Power, Minnkota Power Cooperative, Xcel Energy and Great River Energy, I am writing to inform you of plans for a new transmission line in your area and to introduce the regulatory process that will be conducted by the Minnesota Public Utilities Commission (MPUC) to determine if our recommended transmission line is needed and, if so, where the line should be located.

We recommend the construction of a 230 kV transmission line between Bemidji and Grand Rapids, Minnesota. The transmission line corridor begins at the 230 kV Wilton Substation, jointly owned by Otter Tail Power and Minnkota Power and located just west of Bemidji. The corridor ends at Minnesota Power's 230 kV Boswell Substation in Cohasset, Minnesota, northwest of Grand Rapids, Minnesota. A map showing the preferred transmission line corridor is enclosed.

The Bemidji-Grand Rapids 230 kV transmission line is needed to maintain the reliability of the transmission system currently serving the Bemidji area in north central Minnesota, as well as maintain regional transmission reliability for the larger northwestern Minnesota and eastern North Dakota region. Our proposal is illustrated on the enclosed maps. All three sections of the line are shown together on one map, with each of the three sections also shown individually on a map.

This transmission line project is the result of a long-range planning study done by several utilities over the last few years. The joint planning effort has become known as CapX2020. Participants in the CapX2020 effort have posted their studies on the web at www.capx2020.com. Minnesota utilities also post biennial transmission plans at www.minnelectrans.com. A description of the need for this line is included in the 2005 and 2007 Biennial Transmission Project Report to the MPUC, which can be found at "[minnelectrans.com/2007 Minnesota Biennial Report.pdf](http://minnelectrans.com/2007%20Minnesota%20Biennial%20Report.pdf)."

The corridor between Bemidji and Grand Rapids is approximately 68 miles long, and the right-of-way for a 230 kV line is up to 125 feet wide. The line is likely to be built using two-pole, H-frame structures which average from 70 to 90 feet in height and are placed 600 to 900 feet apart. Where conditions warrant it, single-pole construction may be used. We intend to acquire the property rights for any right-of-way that the transmission line would require.

The Bemidji-Grand Rapids transmission line cannot be constructed without first obtaining a Certificate of Need and a Route Permit from the MPUC. We plan to file an Application for a Certificate of Need with the Commission for the line in March 2008. Within 30 days of the Certificate of Need filing, we plan to file an Application for a Route Permit for the line. Both of these applications will be available for review and to download at the MPUC's website, www.edockets.state.mn.us/EFiling/search.jsp, using the MPUC docket number 07-1222 for the Certificate of Need Application and Docket No. 07-1327 for the Route Permit Application. They will also be available at www.capx2020.com.

The regulatory processes determining the need for and route of the recommended line emphasize public participation. In late June 2007, the utilities held the first in a series of open houses to provide information on the line. Open houses were held in the Project area again in October 2007.

As part of the combined Certificate of Need and Route Permit process, the Department of Commerce (DOC) will prepare an Environmental Impact Statement (EIS). This will include holding public scoping meetings within 60 days of the filing of the Route Permit Application at which alternatives to the line may be proposed. There will also be public hearings after the EIS is prepared.

The statutes and rules governing our request for a Certificate of Need for a high voltage transmission line are Minnesota Statutes, section 216B.243, and Minnesota Rules, chapters 7829 and 7849. The Commission has approved our request for exemption from certain of these requirements to better focus the review of the need for the transmission line on the most relevant factors. A copy of the Commission's Order discussing this will be provided in the Certificate of Need Application. The statutes and rules governing our request for a Route Permit for the line are Minnesota Statutes, sections 216E.01 to 216E.18, and Minnesota Rules, chapters 4410 and 7849.

The State's regulatory process is designed to encourage all interested local units of government to participate in the need and routing processes conducted by the MPUC. The decisions that the MPUC makes in those proceedings will preempt local zoning and building permit requirements.

We will be providing similar notice shortly to residents and landowners located in the preferred corridor in which the new line may be located. We will also be placing ads in local papers. Copies of those notices are enclosed.

Notice is being provided over a broad area, and in the end we anticipate that many receiving notice will not be directly affected by our proposal. Because we do not know where the transmission line may be located at this early stage, however, we have chosen to provide notice broadly, encouraging maximum public participation in the regulatory review process. I am sure your constituents will have questions. We would be happy to meet with you and other local officials to discuss our proposal, and to arrange public meetings to further discuss the project if you think it would be useful in your community.

If you would like to learn more about the permitting process or be placed on the MPUC's or the DOC's mailing lists for the project, you can contact:

Certificate of Need Process

Bret Eknes
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101
(651) 201-2236
bret.eknes@state.mn.us
<http://www.puc.state.mn.us/index.htm>

Routing & Environmental Review

Suzanne Steinhauer
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-2888
suzanne.steinhauer@state.mn.us
<http://energyfacilities.puc.state.mn.us/>

Also please feel free to contact us with your questions:

Bob Lindholm
Routing Lead
(888) 373-4113
bemidjiinfo@capx2020.com

Cindy Kuismi
Communication Specialist
(888) 373-4113
bemidjiinfo@capx2020.com

We look forward to working closely with you in the months to come.

Sincerely,

Al Koeckeritz
Project Manager on behalf of

Otter Tail Power Company
PO Box 496
215 South Cascade Street
Fergus Falls, MN 56538-0496
Phone: 218-739-8200

Minnesota Power
30 West Superior Street
Duluth, MN 55802
Phone: 800-228-4966

Minnkota Power Cooperative Inc.
1822 Mill Road
PO Box 13200
Grand Forks, ND 58208-3200
Phone: 701-795-4000

Northern States Power Company
d/b/a Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401-1993
Phone: 800-328-8226

Great River Energy
17845 East Highway 10
Elk River, MN 55330
Phone: 763-441-3121



Bemidji-Grand Rapids 230-kV transmission line
PO Box 1735
Bemidji, MN 56619-1735
888-373-4113



March 10, 2008

Notice of Certificate of Need Proceeding for New High-voltage Electric Power Transmission Line Between Bemidji and Grand Rapids that May Be Located in the Following Minnesota Counties: Beltrami, Hubbard, Cass, and Itasca.

Dear Landowner or Resident:

On behalf of Otter Tail Power Company, Minnesota Power, Minnkota Power Cooperative, Xcel Energy, and Great River Energy, I am writing to inform you of plans for a new transmission line in your area and to introduce the regulatory process that will be conducted by the Minnesota Public Utilities Commission (MPUC) to determine if our recommended transmission line is needed and, if so, where the line should be located.

We recommend the construction of a 230 kV transmission line between Bemidji and Grand Rapids, Minnesota. The transmission line corridor begins at the 230 kV Wilton Substation, jointly owned by Otter Tail Power and Minnkota Power and located just west of Bemidji. The corridor ends at Minnesota Power's 230 kV Boswell Substation in Cohasset, Minnesota, northwest of Grand Rapids, Minnesota. A map showing the preferred transmission line corridor is enclosed.

The Bemidji-Grand Rapids 230 kV transmission line is needed to maintain the reliability of the transmission system currently serving the Bemidji area in north central Minnesota, as well as maintain regional transmission reliability for the larger northwestern Minnesota and eastern North Dakota region. Our proposal is illustrated on the enclosed maps. All three sections of the line are shown together on one map, with each of the three sections also shown individually on a map.

This transmission line project is the result of a long-range planning study done by several utilities over the last few years. The joint planning effort has become known as CapX2020. Participants in the CapX2020 effort have posted their studies on the web at www.capx2020.com. Minnesota utilities also post biennial transmission plans at www.minnelectrans.com. A description of the need for this line is included in the 2005 and 2007 Biennial Transmission Project Report to the MPUC, which can be found at "[minnelectrans.com/2007 Minnesota Biennial Report.pdf](http://minnelectrans.com/2007%20Minnesota%20Biennial%20Report.pdf)."

The corridor between Bemidji and Grand Rapids is approximately 68 miles long, and the right-of-way for a 230 kV line is up to 125 feet wide. The line is likely to be built using two-pole, H-frame structures which average from 70 to 90 feet in height and are placed 600 to 900 feet apart. Where conditions warrant it, single-pole construction may be used. We intend to acquire the property rights for any right-of-way that the transmission line would require.

The Bemidji-Grand Rapids transmission line cannot be constructed without first obtaining a Certificate of Need and a Route Permit from the MPUC. We plan to file an Application for a Certificate of Need with the Commission for the line in March 2008. Within 30 days of the Certificate of Need filing, we plan to file an Application for a Route Permit for the line. Both of these applications will be available for review and to download at the MPUC's website, www.edockets.state.mn.us/EFiling/search.jsp, using the MPUC docket number 07-1222 for the Certificate of Need Application and Docket No. 07-1327 for the Route Permit Application. They will also be available at www.capx2020.com.

The regulatory processes determining the need for and route of the recommended line emphasize public participation. In late June 2007, the utilities held the first in a series of open houses to provide information on the line. Open houses were held in the Project area again in October 2007.

As part of the combined Certificate of Need and Route Permit process, the Department of Commerce (DOC) will prepare an Environmental Impact Statement (EIS). This will include holding public scoping meetings within 60 days of the filing of the Route Permit Application at which alternatives to the line may be proposed. There will also be public hearings after the EIS is prepared.

The statutes and rules governing our request for a Certificate of Need for a high voltage transmission line are Minnesota Statutes, section 216B.243, and Minnesota Rules, chapters 7829 and 7849. The Commission has approved our request for exemption from certain of these requirements to better focus the review of the need for the transmission line on the most relevant factors. A copy of the Commission's Order discussing this will be provided in the Certificate of Need Application. The statutes and rules governing our request for a Route Permit for the line are Minnesota Statutes, sections 216E.01 to 216E.18, and Minnesota Rules, chapters 4410 and 7849.

The State's regulatory process is designed to encourage all landowners and residents potentially affected by our proposal to participate in the need and routing processes conducted by the MPUC. Notice is being provided over a broad area, and in the end we anticipate that many receiving notice will not be directly affected by our proposal. However, because we do not know exactly where the transmission line may be located at this early stage, we have chosen to provide notice broadly, encouraging maximum public participation in the regulatory review process.

If you would like to learn more about the permitting process or be placed on the MPUC's or the DOC's mailing lists for the project, you can contact:

Certificate of Need Process

Bret Eknes
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101
(651) 201-2236
bret.eknes@state.mn.us
<http://www.puc.state.mn.us/index.htm>

Routing & Environmental Review

Suzanne Steinhauer
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-2888
suzanne.steinhauer@state.mn.us
<http://energyfacilities.puc.state.mn.us/>

Also please feel free to contact us with your questions:

Bob Lindholm
Routing Lead
(888) 373-4113
bemidjiinfo@capx2020.com

Cindy Kuismi
Communication Specialist
(888) 373-4113
bemidjiinfo@capx2020.com

We look forward to working closely with you in the months to come.

Sincerely,

Al Koeckeritz
Project Manager on behalf of

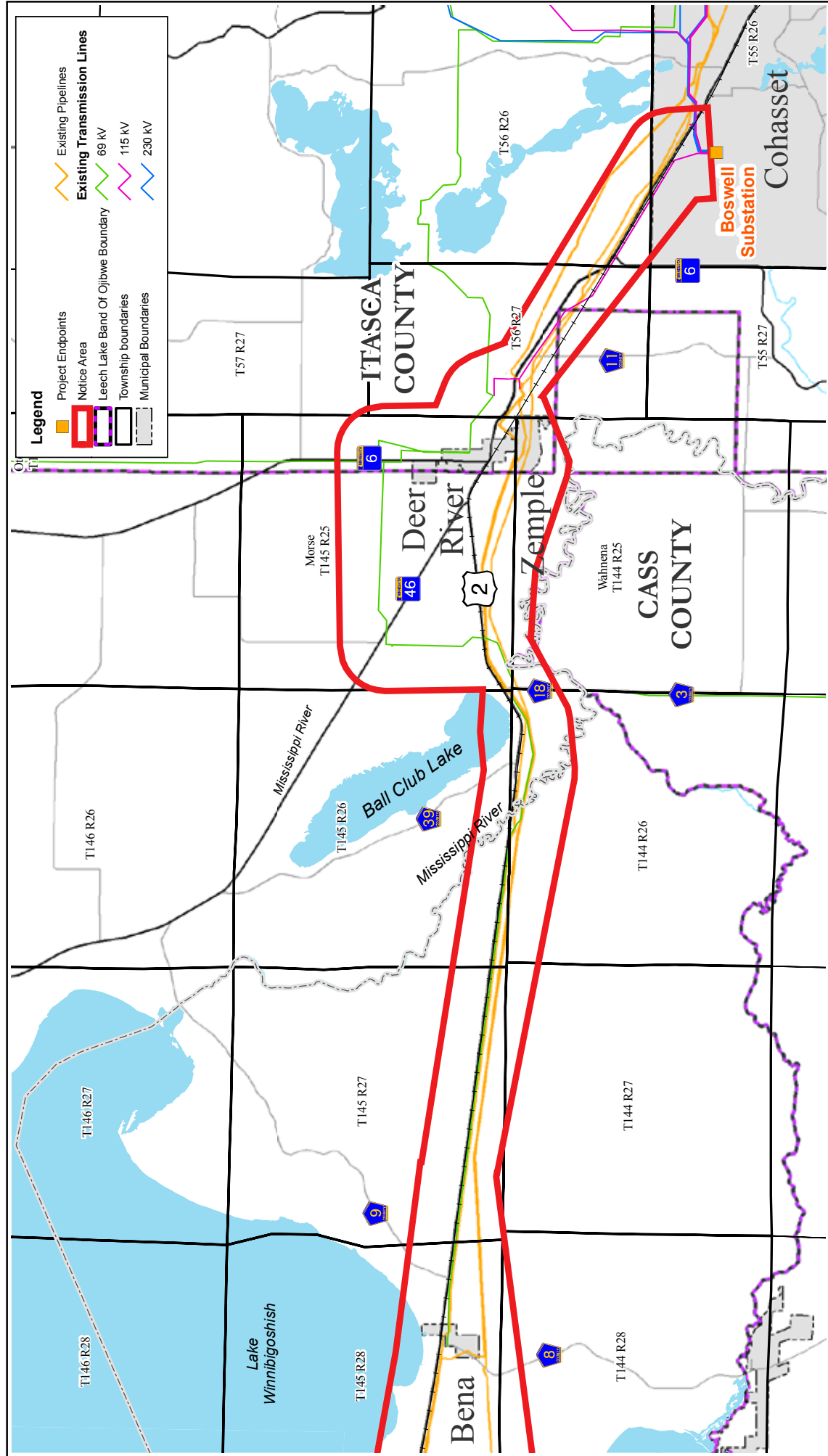
Otter Tail Power Company
PO Box 496
215 South Cascade Street
Fergus Falls, MN 56538-0496
Phone: 218-739-8200

Minnesota Power
30 West Superior Street
Duluth, MN 55802
Phone: 800-228-4966

Minnkota Power Cooperative Inc.
1822 Mill Road
PO Box 13200
Grand Forks, ND 58208-3200
Phone: 701-795-4000

Northern States Power Company
d/b/a Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401-1993
Phone: 800-328-8226

Great River Energy
17845 East Highway 10
Elk River, MN 55330
Phone: 763-441-3121



Legend

- Project Endpoints
- Notice Area
- Leech Lake Band Of Ojibwe Boundary
- Township boundaries
- Municipal boundaries
- Existing Pipelines
- Existing Transmission Lines
- 69 kV
- 115 kV
- 230 kV

Bemidji-Grand Rapids 230-kV line

Project Section Map - Eastern Section

230 kV Bemidji to Grand Rapids Transmission Line Project

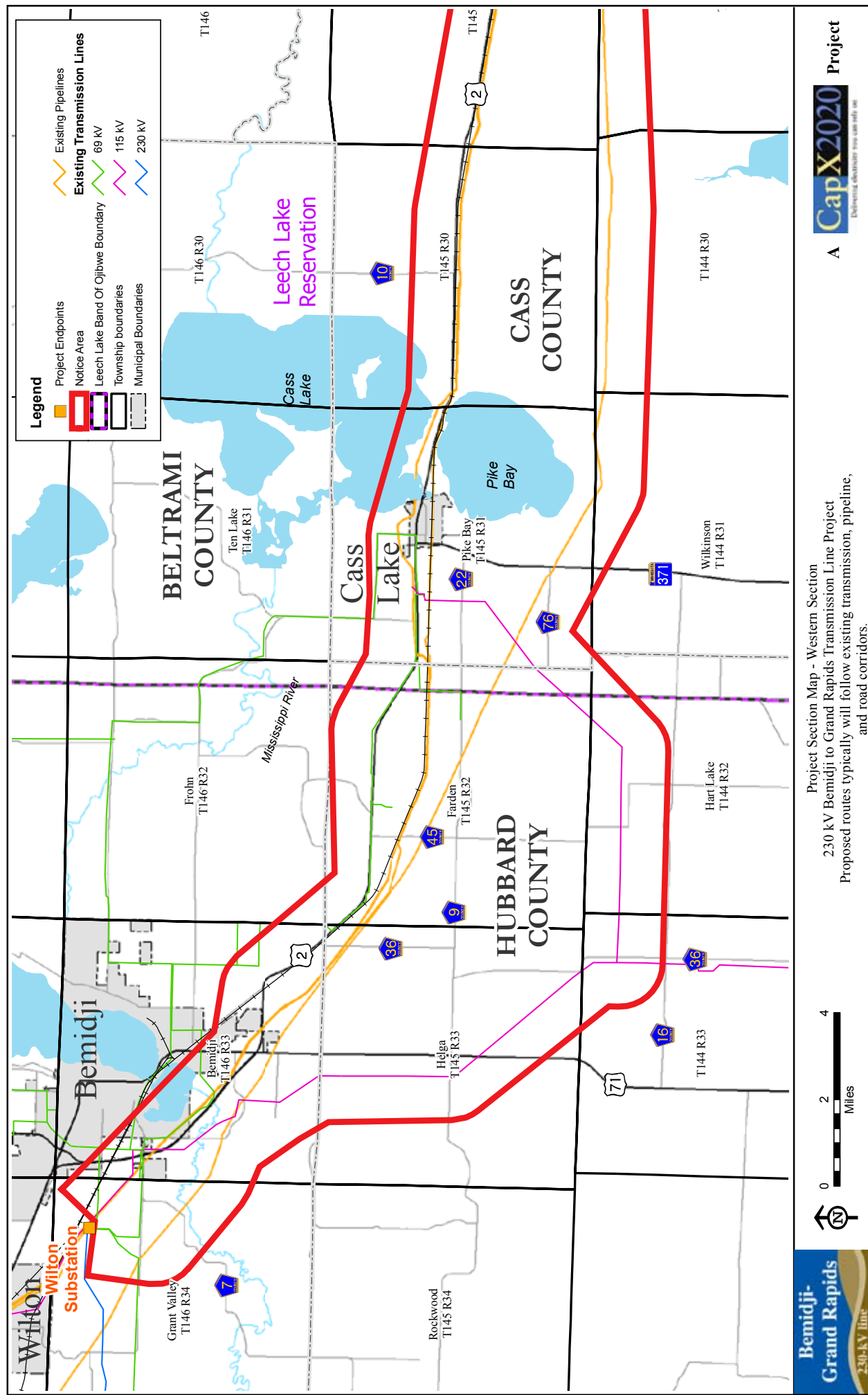
Proposed routes typically will follow existing transmission, pipeline, and road corridors.

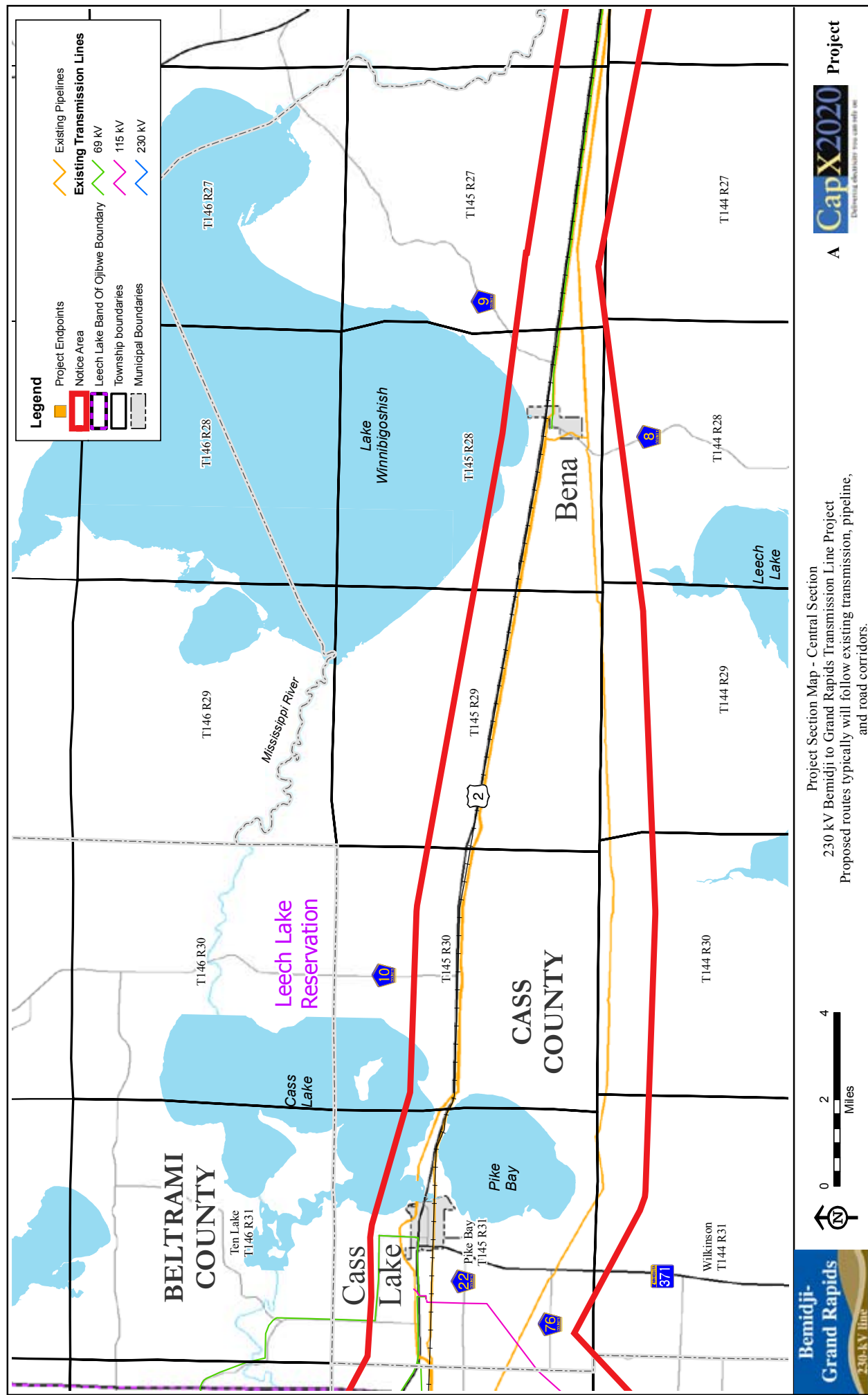
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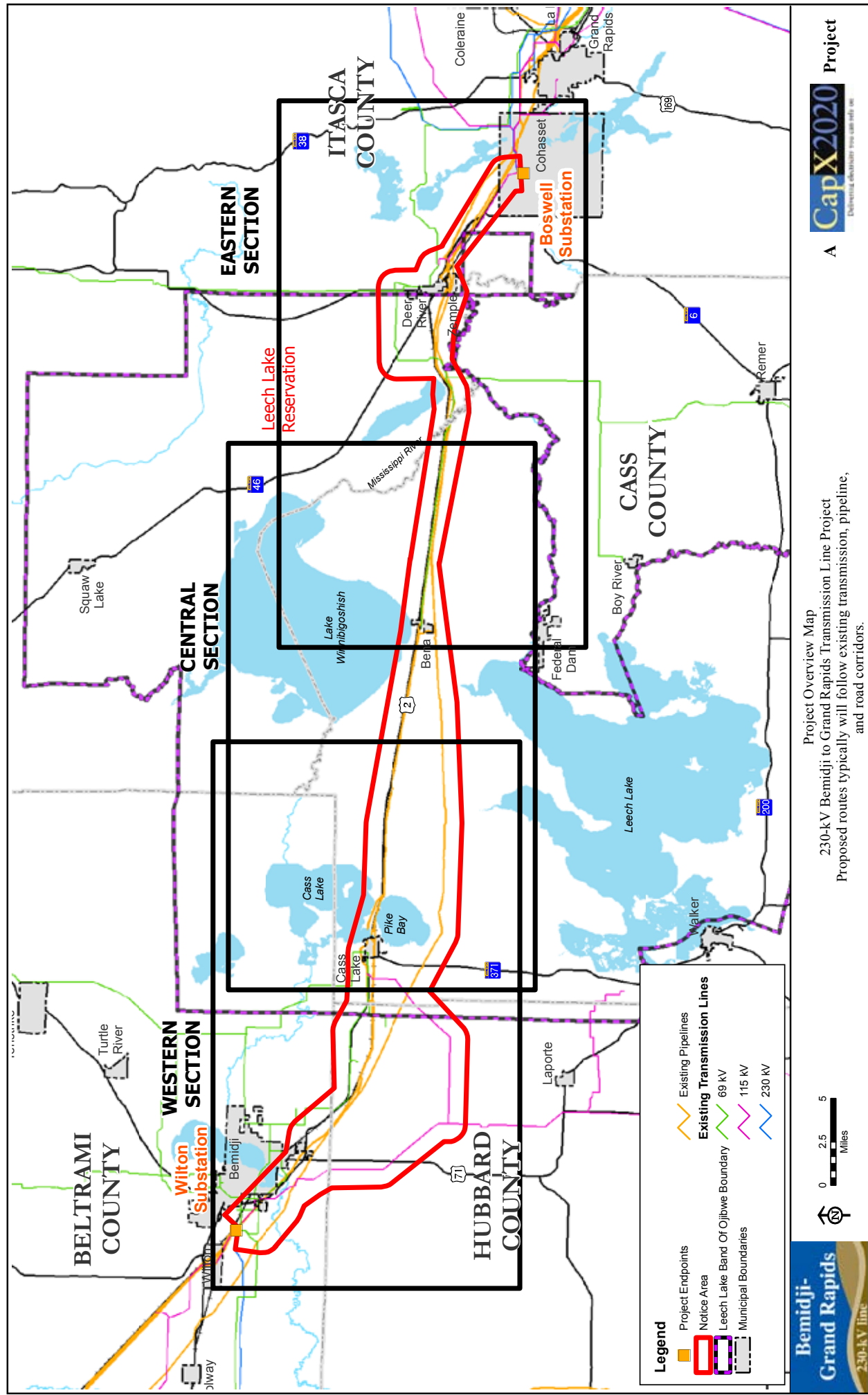
CapX2020

Project

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NOTICE

Utilities recommend new high-voltage transmission line between Bemidji and Grand Rapids, Minnesota

Minnkota Power Cooperative, Inc., Otter Tail Power Company, Minnesota Power, Xcel Energy, and Great River Energy recommend building a new 230-kilovolt electric transmission line that would run about 68 miles from Minnkota Power's and Otter Tail Power Company's jointly owned Wilton Substation, just west of Bemidji, to Minnesota Power's Boswell Substation in Cohasset, northwest of Grand Rapids, Minnesota.

Project Need

The Bemidji-Grand Rapids line is needed to maintain reliability of the electric transmission system that serves the Bemidji/Cass Lake area in north central Minnesota, as well as to maintain regional transmission reliability for the larger northwestern Minnesota and eastern North Dakota region. The Minnesota Transmission Planning utilities identified this need and included it in their 2005 and 2007 Biennial Transmission Projects Report. The 2007 report is available at www.minnelectrans.com.

Project Information

The utilities expect to use primarily two-pole H-frame structures averaging 85 feet in height. Right-of-way width for a 230-kV line is up to 125 feet. The utilities intend to acquire property rights for any right-of-way the transmission line would require.

Public Process

The Bemidji-Grand Rapids line cannot be constructed without first obtaining a Certificate of Need and a Route Permit from the Minnesota Public Utilities Commission. The utilities intend to file the Certificate of Need application with the MPUC in March 2008, and the Route Permit application in April 2008. As part of the Certificate of Need and Route Permit processes, the Department of Commerce (DOC) will prepare an Environmental Impact Statement and solicit public comment.

The regulatory process to determine the need for and route of the recommended line emphasizes public participation. After the Certificate of Need and Route Permit applications are submitted, the DOC and the MPUC will hold public meetings and hearings in the area. These meetings will allow the public to participate in the review process. Minnesota Statutes, sections 216B.243 and 216E.01 through 216E.18 and Minnesota Rules, chapters 7929 and 7849 govern requests for a Certificate of Need and Routing Permit for a high-voltage transmission line.

We encourage area residents to get involved in these important electric energy decisions.

To learn more about the process or to be added to the MPUC and DOC mailing lists, contact the following people.

Certificate of Need process

Bret Eknes

Minnesota Public Utilities Commission

121 7th Place East, Suite 350

St. Paul, MN 55101

651-201-2236

Bret.eknes@state.mn.us

<http://www.uc.state.mn.us/>

Routing and environmental review

Suzanne Steinhauer

Minnesota Department of Commerce

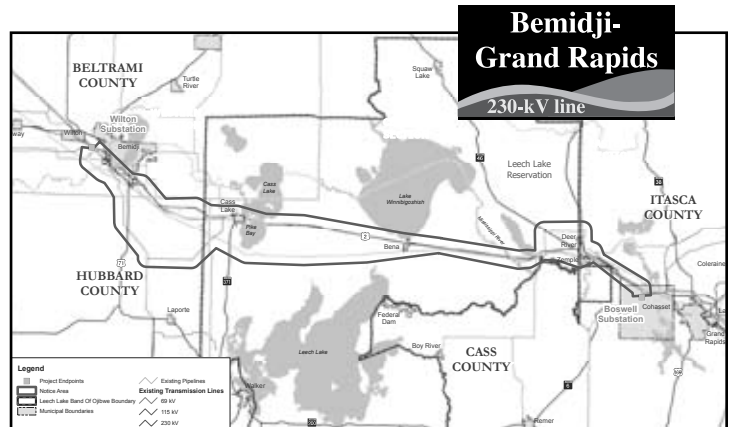
85 7th Place East, Suite 500

St. Paul, MN 55101-2198

651-296-2375

deborah.pile@state.mn.us

<http://energyfacilities.puc.state.mn.us/>



Please contact the Bemidji-Grand Rapids project team with questions by calling Routing Lead Bob Lindholm or Communication Specialist Cindy Kuismi at 888-373-4113 or by email at bemidjiinfo@capx2020.com.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
David Boyd
Marshall Johnson
Phyllis Reha
Thomas Pugh

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Thomas Erik Bailey
Briggs and Morgan, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

SERVICE DATE: **DEC 24 2007**

DOCKET NO. E-017, E-015, ET-6/CN-07-1222

In the Matter of the Application of Otter Tail Power Company, Minnesota Power and Minnkota Power Cooperative, Inc. for a 230 kV Transmission Line from Bemidji to Grand Rapids, Minnesota

The above entitled matter has been considered by the Commission and the following disposition made:

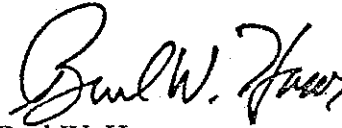
Designate Otter Tail Power Company, Minnesota Power and Minnkota Power Cooperative, Inc. to serve as "applicants" for this project on behalf of themselves as well as Great River Energy and Northern States Power Company d/b/a Xcel Energy.

Approve the requested exemptions to the filing requirements for a Certificate of Need petition as set forth at Minnesota Rules chapter 7849 and direct the utilities to file their proposed substitute data with the following additions:

- **An estimate of the anticipated owners of the Bemidji-Grand Rapids Line and a non-binding estimate of each owner's minimum and maximum interest.**
- **Data on the existing supply of units that qualify under the Renewable Energy Standard (RES), the capacity and energy requirements the utilities' estimate through 2020 to meet the RES based on capacity factors of 30, 35, and 40 percent, and the utilities' forecasted demand through 2020 assuming 1 and 1.5 percent conservation of gross annual retail energy sales.**
- **Existing and planned generation in the affected areas in and around Bemidji and the northern Red River Valley.**
- **Data on existing and anticipated conservation programs in the affected areas in and around Bemidji and the northern Red River Valley, including any system-wide conservation programs that could reduce energy use in the affected areas.**

The Commission agrees with and adopts the recommendations of the Department of Commerce which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION

A handwritten signature in cursive script, reading "Burl W. Haar".

Burl W. Haar
Executive Secretary

(S E A L)

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85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
www.commerce.state.mn.us
651.296.4026 FAX 651.296.1959
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November 14, 2007

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce**
Docket No. E017,E015 & ET6/CN-07-1222

Dear Dr. Haar:

Attached are the comments of the Energy Division of the Minnesota Department of Commerce (Department) in the following matter:

Exemption request regarding the Certificate of Need for a 230kV Transmission Line and Associated System Connections from Bemidji to Grand Rapids, Minnesota.

The petition was filed on October 24, 2007 by:

Thomas Erik Bailey
Briggs and Morgan, P.A.
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

The Department recommends **approval with modifications** and is available to answer any questions the Commission may have.

Sincerely,

/s/ CHRISTOPHER J. SHAW
Rates Analyst

CJS/sm
Attachment



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E017,E015 & ET6/CN-07-1222

I. INTRODUCTION

On September 19, 2007, Otter Tail Power Company (OTP), Minnesota Power (MP) and Minnkota Power Cooperative (Minnkota) (collectively, "the Utilities") submitted a request for approval of a Notice Plan for a certificate of need. The Utilities propose to build a 230 kV transmission line that would link the Wilton Substation located just west of Bemidji, Minnesota to the Boswell Substation in Cohasset, Minnesota, northwest of Grand Rapids, Minnesota (Bemidji-Grand Rapids Line). The Bemidji-Grand Rapids Line is one of four Group 1 Projects of the Capacity Expansion 2020 (CapX2020) initiative. The three other lines are proposed in Docket ET-2, E-002, *et al.*/CN-06-1115 (345 kV Projects).

On October 24, 2007, the Utilities filed a *Request for Exemption for Certain Certificate of Need Data Requirements* (Exemption Petition). According to the Utilities, the proposed line will alleviate voltage stability deficiencies in the Bemidji area transmission system. In addition, the Utilities state that, with the 345 kV Twin Cities-Fargo line proposed in Docket No. ET-2, E-002, *et al.*/CN-06-1115, the proposed line will ensure adequate transmission capacity to handle the expected increase in load in the Red River Valley over the next 15 years.

On November 1, 2007 the Commission issued its *Notice of Comment Period on Xcel Energy's Exemption Petition*, establishing November 14, 2007 as the due date for comments. Below are the Comments of the Department on the Exemption Petition.

II. DEPARTMENT'S ANALYSIS

In the Exemption Petition, the Utilities requested that the Commission grant certain exemptions from the requirements of the CN rules and clarify issues concerning the designation of the applicant for the CN.

Minnesota Rules 7849.0200 states that an exemption is appropriate if the data requirement is not necessary to determine the need or is obtained via another document:

Before submitting an application, a person is exempted from any data requirement of this chapter if the person (1) requests an exemption from specified rules, in writing to the commission, and (2) shows that the data requirement is unnecessary to determine the need for the proposed facility or may be satisfied by submitting another document. A request for exemption must be filed at least 45 days before submitting an application. The commission shall respond in writing to a request for exemption within 30 days of receipt and include the reasons for the decision. The commission shall file a statement of exemptions granted and reasons for granting them before beginning the hearing.

In their Exemption Petition the Utilities request exemptions in the following areas:

- Minnesota Rules 7849.0260, Subp. A(3), C(6); Energy Losses;
- Minnesota Rules 7849.0270 Subp. 1, 2; Forecasting;
- Minnesota Rules 7849.0280(B) through (I); System Capacity; and
- Minnesota Rules 7849.0290 Conservation.

The Department presents its analysis by discussing the designation of applicants first, followed by the specific exemptions to Minnesota Rules.

A. *APPLICANT ISSUE*

The Utilities ask the Commission for a designation that they (OTP, MP and Minnkota) are the appropriate applicants for a certificate of need. The Utilities state they will file the certificate of need application on behalf of themselves along with Xcel Energy and Great River Energy. The Commission addressed a similar issue in the 345 kV Project docket noting that the statutes and rules "focus more attention on the importance of demonstrating need than on the identity of the demonstrator."¹ As is the case in this proceeding, final ownership interests in the 345 kV Project have not yet been determined. The Commission stated further that:

Given the attenuated relationship between ownership and need, and the magnitude of other issues that will warrant examination, the Commission finds little benefit in postponing the start of the Certificate of Need process pending resolution of negotiations. To help parties estimate the pending financial consequences to ratepayers of any given utility, however, the Commission will direct the applicants to include the list of likely

¹ Docket No. ET-2, E-002, *et al.*/CN-06-1115, ORDER DESIGNATING APPLICANTS AND SETTING FILING REQUIREMENTS at 4.

participants, and the minimum and maximum ownership interest each participant will take in each segment of the Group 1 Projects. These estimates will not be binding on any party.²

Similarly, the Department recommends that the Commission require the Utilities to identify in their application the anticipated owners of the Bemidji-Grand Rapid Line and a nonbinding estimate of each owner's minimum and maximum interest. The Utilities indicated their willingness to provide this information in the Exemption Petition.

Further, the Department notes that the burden of proof to show that the proposed facility is needed resides on the applicants in the CN proceeding. Therefore, in practice a designation of applicants in the CN proceeding which may be different from the final ownership structure should not be viewed as reducing the applicants' burden of proof in the CN proceeding. That is, the applicants have the same burden of proof to show that the proposed facility is needed. Further, the Utilities, as the designated applicants, would have the responsibility for implementing the Commission's Order(s) in the matter. In addition, there are two safeguards to ensure that any change in ownership of the facilities will be reviewed to determine the public interest. The first safeguard is Minnesota Rules 7849.0400 H, which requires that:

If an applicant determines that a change in size, type, timing, or ownership other than specified in this subpart is necessary for a large generation or transmission facility previously certified by the commission, the applicant must inform the commission of the desired change and detail the reasons for the change. A copy of the applicant's submission to the commission must be sent to each intervenor in the certificate of need hearing proceeding on the facility. Intervenors may comment on the proposed change within 15 days of being notified of the change. The commission shall evaluate the reasons for and against the proposed change and, within 45 days of receipt of the request, notify the applicant whether the change is acceptable without recertification. The commission shall order further hearings if and only if it determines that the change, if known at the time of the need decision on the facility, could reasonably have resulted in a different decision under the criteria specified in part 7849.0120. (Emphasis added.)

Therefore, the Utilities along with Xcel Energy and Great River Energy can be considered as the owners of the projects until the participants in the Bemidji-Grand Rapids line decide the final ownership structure.³ The above rule would require the final owners to detail the reasons for any change in ownership; the Commission would have an opportunity to hear from the public and determine whether such a change in ownership warrants further hearings on the ownership issue.

² Id. at 5.

³ The Utilities indicate that the five project participants, MP, OTP, Minnkota, Xcel, and GRE all anticipate having an ownership interest in the line.

The second safeguard is Minnesota Statute 216B.50, which states:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility or transmission company operating in this state, without first being authorized so to do by the commission.

If the applicants cannot provide final ownership structure prior to the completion of the construction of the projects, and if the ownership structure subsequently changes, the Utilities would have to file a petition to transfer the ownership of the projects under Minnesota Statute 216B.50. At that time, the Commission could revisit the issue.

Further, since the exemption request presents the need for the proposed facilities in terms of the electrical needs for the affected areas, rather than for a specific utility's need, the Department intends to analyze the need for the proposed projects based on needs of the affected areas. This analysis will be fundamentally the same regardless of the designation of applicants and ownership structure.

Therefore, the Department recommends that the Commission accept the Utilities as applicants and the five project participants as proposed owners. Minnesota Rules 7849.0400 H and Minnesota Statute 216B.50 will be applied if the ownership structures subsequently change.

B. EXEMPTION REQUEST

1. Minnesota Rules 7849.0260, Subp. A(3), C(6) (Line Losses)

Minnesota Rules 7849.0260 A(3) requires applicants to file, for proposed transmission lines, "the expected losses under projected maximum loading and under projected average loading in the length of the transmission line and at the terminals or substations." Minnesota Rules 7849.0260 C(6) requires applicants to file, for proposed transmission line and alternatives "its efficiency, expressed for a transmission facility as the estimated losses under projected maximum loading and under projected average loading in the length of the transmission line and at the terminals or substations." Instead of providing line loss data specific to the individual transmission lines, the Utilities propose to provide line loss data for the system as a whole.

The Department agrees that line losses for the system are more relevant to the analysis than line losses for individual lines. The Department notes that, to make the proper decisions in a societal framework, it is necessary to know what happens to system losses when a line is added. To count only the losses on the line in question might lead to selection of one alternative because it has low losses on that line even if there were high system line losses. Such a choice would force the system to produce more energy than some other alternative. Thus, the proposal to use data for the system as a whole in this proceeding is appropriate.

The Department recommends that the Commission approve the Utilities' proposed exemption to Minnesota Rules 7849.0260 A(3) and C(6) with the provision of the proposed alternative data.

2. *Minnesota Rules 7849.0270 subps. 1, 2 and 7849.0280 (B) through (I) (Forecast Data)*

Minnesota Rules 7849.0270, subps. 1, 2 and 7849.0280 (B) through (I) require extensive forecast and system capacity data from applicants, such as forecasts of demand by customer class. In general, the data is a critical part of the need analysis. On the other hand, some of the data is not used in analysis at all or it is meaningfully used at an aggregate level. For example, demand and energy consumption data by end-use customer class is not used as it is. Instead the aggregated data is used to evaluate the claimed need. Also, since the proposed line is based on a claimed need in the Bemidji area and the northern Red River Valley, data supporting this claimed need in these affected areas is more meaningful than data pertaining to the entire systems of the Utilities. Therefore, the Department generally agrees with the Utilities that it is reasonable to customize the data requirements for these rules in this proceeding as discussed below.

Minnesota Rules 7849.0270, subps. 1, 2(A), 2(C), 2(D) and Minnesota Rules 7849.0280, require data regarding an applicant's system demand as well as seasonal data. The Utilities request an exemption to the system demand and seasonal data requirements. Instead, the Utilities propose to provide forecasted winter peak demand and annual consumption data for the Bemidji area and the Minnesota portion of the northern Red River Valley and winter peak demand for the entire northern Red River Valley. The Utilities included a map of the northern Red River Valley identified as the "North Zone," which was identified in the 2006 update to the 2002 Red River Valley/West Central Minnesota Transmission Improvement Planning Study. Additionally, the Utilities state that both Bemidji and the Red River Valley are winter peaking and it is the growth in winter peak that is driving the need. The Department agrees that submission of data customized to the areas of claimed need, in this case the winter peaking data for the affected areas, is reasonable.

Minnesota Rules 7849.0270, subps. 2(B) and 2(C) require data on forecasted consumption and peak demand by customer class. The Utilities request an exemption from these requirements because transmission needs are ultimately based on aggregate customer demand. As stated above, it is the aggregate demand that the Department uses to evaluate the claimed need. In addition, the Utilities proposed to provide the renewable energy and conservation data required in 345 kV Projects docket. This data includes the Utilities' existing supply of units that qualify under the Renewable Energy Objective/Standard (RES) (Minnesota Statute §216B.1691, the capacity and energy requirements the Utilities' estimate through 2020 to meet the RES based on capacity factors of 30, 35, and 40 percent, and the Utilities' forecasted demand through 2020 assuming 1 and 1.5 percent conservation of gross annual retail energy sales. The Department concludes that this information is critical to assessing the need for the proposed transmission line. Therefore, the Department agrees that providing aggregate data for the forecasted annual consumption and winter peak demand, as well as the data regarding the new renewable and conservation statutory requirements is reasonable.

Minnesota Rules 7849.0270, subp. 2(D) requires an applicant to submit system demand by month, and 2(F) requires the applicant's estimated average system weekday load factor by month. The Utilities propose instead to provide forecasted winter peak data by load center for

the "North Zone." Since the data proposed by the Utilities is customized to the claimed transmission need in Bemidji and the northern Red River Valley, the Department concludes that the Utilities' proposed data is reasonable and more relevant than the data set out in rules to a determination of need in this case.

The Utilities also request an exemption from Minnesota Rules 7849.0270, subp. 2E and propose alternate information to be provided. Minnesota Rules 7849.0270, subp. 2E requires "the estimated annual revenue requirement per kilowatt hour for the system in current dollars" for each forecast year. Since this information is a product of a least-cost alternative analysis, the Department does not need to use this information to analyze the CN application. However, as the Department noted in its comments on the 345 kV Projects exemption request, this information is useful to show the impact of the project to non-technical audiences. The Utilities noted that the Commission granted this exemption for the 345 kV Projects stating that:

[u]nder the best of circumstances, it is challenging to predict how the costs of a new expenditure will affect utility rates. The emergence of the MISO Day Ahead and Real-Time Markets has complicated matters further. In a context of unresolved business relationships among the parties who are building a new facility, efforts to calculate a specific rate impact may be little better than guesswork.⁴

In the 345 kV Projects Docket, the Commission granted this exemption and instead required a description of how MISO spreads wholesale electricity costs among users of the transmission grid and general estimates of how the cost of the Group 1 Projects would affect retail customers. Similarly, the Utilities propose to provide an explanation of how MISO spreads wholesale electricity costs among users of the transmission grid and the general financial effect of the Bemidji-Grand Rapids Line on retail ratepayers. The Department recommends that the Commission grant the Utilities' request.

Minnesota Rules 7849.0280 (B) thorough (I) require an applicant to submit data regarding its capacity to meet customer demand before and after a proposed facility is built. The Commission noted in the 345 kV Project Order that much of 7849.0280 pertained to electric generators. Instead of the information requested by these subparts, the Utilities propose to provide a description of how the addition of the Bemidji-Grand Rapids Line will increase the capacity of the existing transmission network in the Bemidji area and the North Zone system to meet forecasted demand, without reference to the data in items B through I of the rule. In addition to this information, the Department recommends that the Commission require that the Utilities provide data describing the existing and planned generation in the affected areas in and around Bemidji and the northern Red River Valley. This information would be helpful to assess the ability of the proposed line to accommodate more generation, and may be helpful to assess any impact of the proposed line on the ability of the Utilities to meet the RES.

⁴ Docket No. ET-2, E-002, *et al.*/CN-06-1115, ORDER DESIGNATING APPLICANTS AND SETTING FILING REQUIREMENTS at 14. "MISO" refers to the Midwest Independent System Operator, which operates the regional transmission grid.

In summary, the Department recommends that the Commission approve the proposed exemption request to 7849.0270, 7849.0270 subps. 1, 2 and 7849.0280 (B) through (I) with the modifications described above (which are also listed below for ease of reference).

3. Minnesota Rules 7849.0290

Minnesota Rules 7849.0290 requires information regarding an applicant's existing and anticipated conservation programs and their effect on the forecast provided under 7849.0270. The Utilities request that they be permitted to satisfy the Commission's rule by detailing the energy conservation efforts contained in the most recent Integrated Resource Plan filings of the Project Participants. In the alternative the Utilities request that they be permitted to limit the analysis of the impact of conservation programs to the North Zone.

The Department notes that the most relevant conservation information is on existing and anticipated programs in the affected areas. In this case, the Utilities claim a need for the Bemidji area and the northern Red River Valley. Therefore, the Department recommends that the Utilities file the information requested in Minnesota Rule 7849.0290 pertaining to the affected areas. Such information should include any system-wide conservation programs that could reduce energy use in the affected areas.

III. DEPARTMENT RECOMMENDATIONS

The Department recommends that the Commission approve the proposed exemptions with the provision of alternative data and with the modification that additional data be provided regarding the following:

- An estimate of the anticipated owners of the Bemidji-Grand Rapids Line and a nonbinding estimate of each owner's minimum and maximum interest;
- Data on the existing supply of units that qualify under the RES, the capacity and energy requirements the Utilities' estimate through 2020 to meet the RES based on capacity factors of 30, 35, and 40 percent, and the Utilities' forecasted demand through 2020 assuming 1 and 1.5 percent conservation of gross annual retail energy sales (reference to Minnesota Rules 7849.0270, subps. 2(B) and 2(C) above);
- Existing and planned generation in the affected areas in and around Bemidji and the northern Red River Valley (reference to Minnesota Rules 7849.0280 (B) thorough (I) above); and
- Data on existing and anticipated conservation programs in the affected areas in and around Bemidji and the northern Red River Valley. Such information should include any system-wide conservation programs that could reduce energy use in the affected areas. (Reference to Minnesota Rules 7849.0290).

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

LeRoy Koppendraye
David Boyd
J. Dennis O'Brien
Thomas Pugh
Phyllis Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

DOCKET No. E017, E015, ET6/CN-07-1222

IN THE MATTER OF A PETITION FOR A
CERTIFICATE OF NEED FOR 230 kV
TRANSMISSION LINE AND ASSOCIATED SYSTEM
CONNECTIONS FROM BEMIDJI TO GRAND
RAPIDS, MINNESOTA

**SUMMARY OF
CERTIFICATE OF NEED FILING**

Pursuant to Minn. Stat. § 216B.243, Otter Tail Power Company, Minnesota Power, and Minnkota Power Cooperative, Inc. (collectively, “the Applicants”) have submitted on behalf of themselves and Northern States Power Company, a Minnesota corporation (“Xcel Energy”), and Great River Energy, an application for a certificate of need for a proposed 230 kV transmission line that will run from the Bemidji area to the Grand Rapids area in north central Minnesota (“Bemidji-Grand Rapids Line”). Pursuant to Minn. R. 7829.2500, subp. 2, the Applicants provide this summary of their certificate of need filing.

The proposed 230 kV line would begin at the 230 kV Wilton Substation located just west of Bemidji, Minnesota, which is jointly owned by Otter Tail Power and Minnkota Power, and run approximately 68 miles to Minnesota Power’s 230 kV Boswell Substation in Cohasset, Minnesota, northwest of Grand Rapids, Minnesota. The Bemidji-Grand Rapids Line is needed to maintain the reliability of the transmission system currently serving the Bemidji area in north central Minnesota, as well as maintaining regional transmission reliability for the larger Red River Valley region in northwestern Minnesota and eastern North Dakota. The line will also provide an ancillary benefit: facilitating the addition of new renewable generation sources in the region.

The certificate of need application for the Bemidji-Grand Rapids Line is available on the Minnesota Public Utilities Commission’s e-filings webpage under the docket number listed above. It is also available on the CapX2020 website at www.capx2020.com.